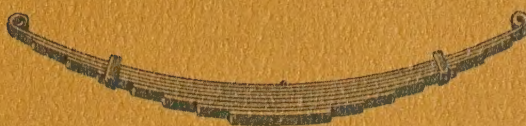


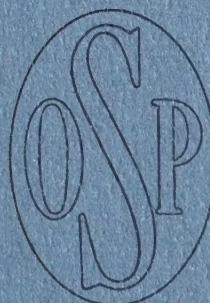
AR31



FIFTY-SECOND

ANNUAL REPORT

FOR THE TWELVE MONTHS
ENDED DECEMBER 31, 1965



ONTARIO STEEL PRODUCTS COMPANY, LIMITED

**ONTARIO STEEL
PRODUCTS COMPANY,
LIMITED**

HEAD OFFICE: TORONTO

DIVISIONS: GANANOQUE, OSHAWA, CHATHAM, MILTON

Directors

CARL B. BLACK
O. D. COWAN
BRIAN HEWARD
R. A. KINGSTON, Q.C.
B. H. RIEGER
WALTER F. ROCKWELL
V. W. SCULLY
R. G. WINGERTER

Executive Officers

O. D. COWAN, Chairman of the Board and President
R. B. CARSON, Vice-President and Secretary Treasurer
MISS GAY SAMPSON, Assistant Secretary

Transfer Agent

THE ROYAL TRUST COMPANY, Toronto
THE ROYAL TRUST COMPANY, Montreal

Registrar

NATIONAL TRUST COMPANY LIMITED, Toronto
NATIONAL TRUST COMPANY LIMITED, Montreal

Bankers

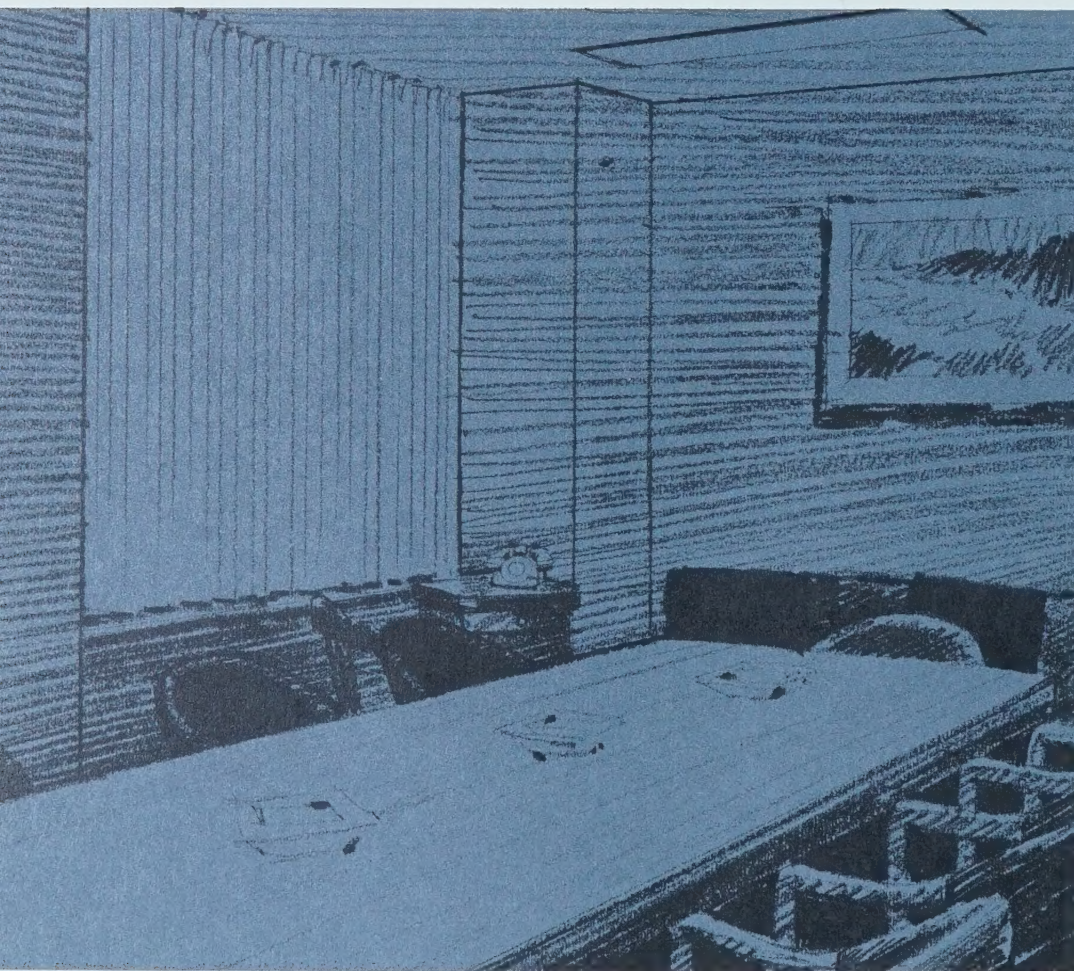
BANK OF MONTREAL
CANADIAN IMPERIAL BANK OF COMMERCE

Auditors

ERNST & ERNST



REPORT OF THE BOARD



Your Directors have pleasure in submitting herewith the 52nd Annual Report on the consolidated operations of your Company and subsidiaries for the twelve months period ended December 31st, 1965, together with the Consolidated Balance Sheet, Earnings and Retained Earnings Statements, Statement of Source and Use of Funds and your Auditors' Report thereon.

The year just concluded has been the most successful in the Company's history as sales and earnings established new highs. Net earnings amounted to \$2,314,238 or \$2.86 per common share compared to \$1,629,906 or \$2.00 per common share for the previous year. Depreciation written in the year was \$840,748 and last year amounted to \$743,236. Working capital at \$8,717,727 reflects an increase of \$2,112,635.

Expenditures on capital equipment amounted to \$1,973,855 and included the building and equipping of a new

TORONTO, ONTARIO: JANUARY 7, 1966

OF DIRECTORS TO THE SHAREHOLDERS

automotive and railway coil spring plant situated at Lacolle, Quebec, at a cost of \$1,016,384. The balance of \$957,471 was spent on facilities and equipment at the other Divisions of the Company for the purpose of increasing capacity and reducing costs.

The regular dividend of 7% per annum was declared and paid to holders of preferred shares. Total dividends declared on the common shares during the year 1965 amounted to \$1.05 per share.

Production and sales are at a capacity level and the outlook for your Company under the Canada-United States Automotive Agreement appears favourable. The Lacolle plant commenced full production on December 1st, 1965 on a highly automated basis. Further substantial capital investment is planned for 1966 in order to protect our competitive position in the North American market.

Your Directors record with deep regret the tragic death on July 3rd, 1965 of Mr. James W. Marshall, Vice-President and General Manager. Mr. Marshall served your Company in many capacities for almost twenty years and was made Vice-President early in 1965.

In November 1965, Mr. R. G. Wingerter, President of the Automotive Divisions of the Rockwell-Standard Corp., with headquarters in Detroit, Michigan, was appointed a Director of your Company.

The continued support and co-operation we have received from our customers and suppliers is gratefully acknowledged and the loyal efforts of officials and employees of the Company are greatly appreciated.

On behalf of the Board of Directors,

O. D. COWAN

President



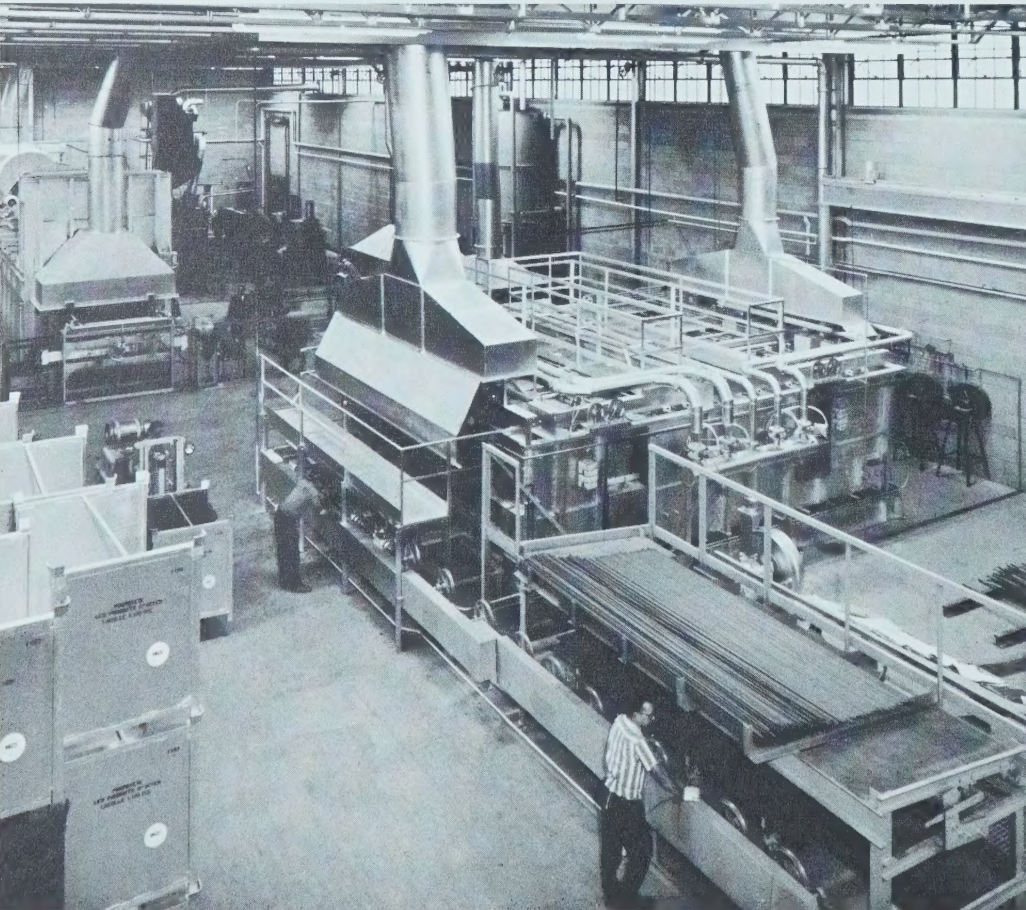


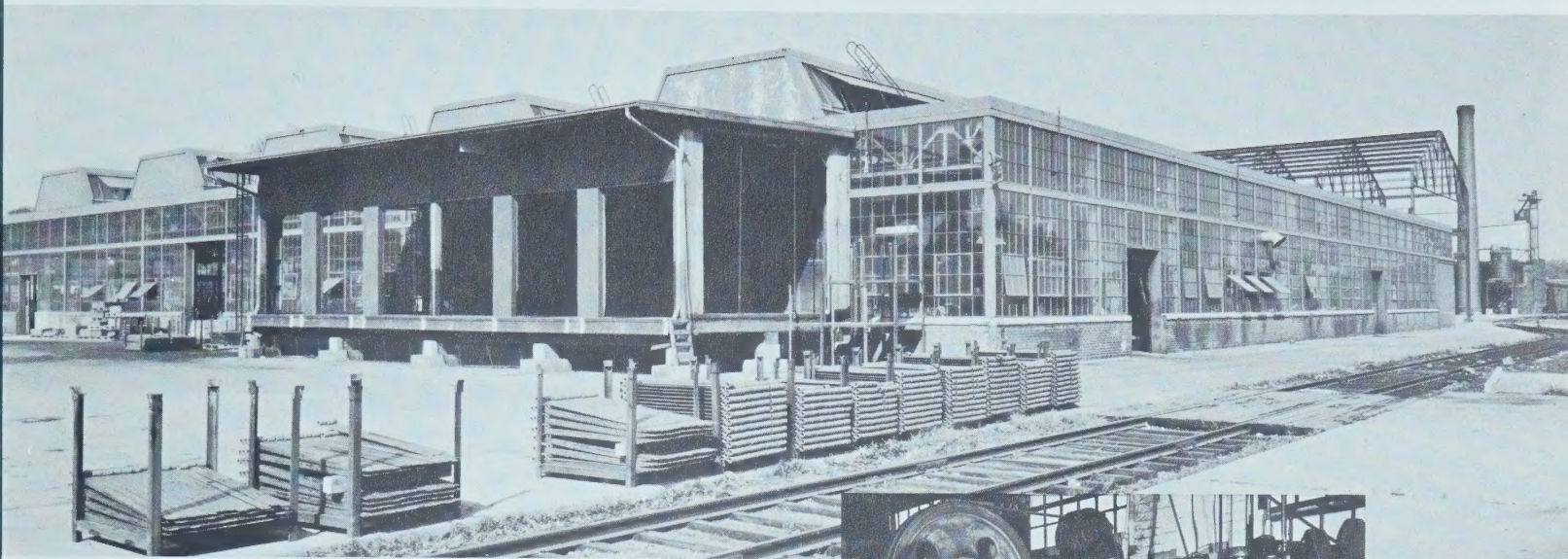
GROWTH

LACOLLE, QUEBEC

Les Produits d'Acier Lacolle Ltee., a wholly owned subsidiary, began construction of its new facility at Lacolle, Quebec in March of this year and realized production on December first.

This modern plant, equipped for the production of "hot wound" coil springs for automotive and railway vehicles, provides necessary additional manufacturing capacity, as well as improved service, to customers in the area.





CHATHAM

above: New Raleigh Street Plant of Chatham Division, manufacturing leaf springs.

right: "Eye Grinding" to close tolerance in leaf spring operation.

below: Stocks of finished service springs are maintained at all times to ensure prompt delivery.



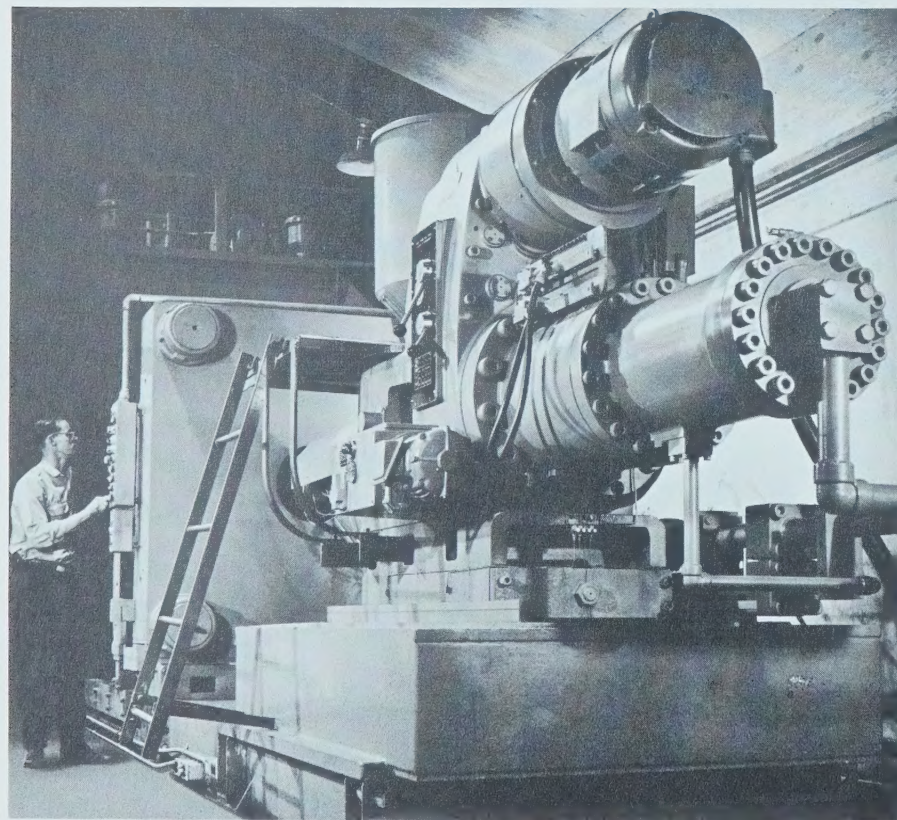
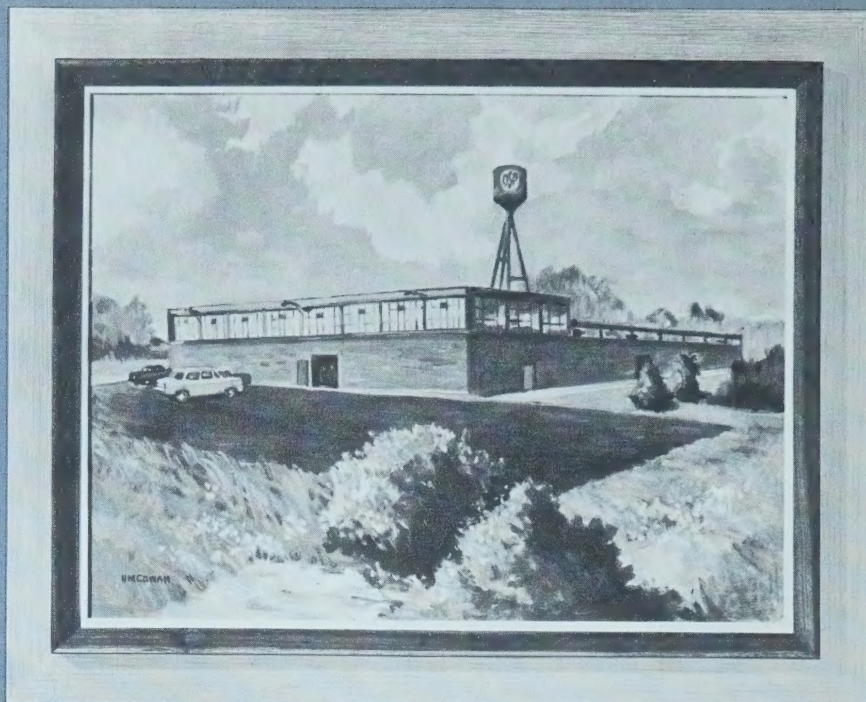
GROWTH

GANANOQUE

Pictured at the right is the new Gananoque plant which began operation in 1964.

The Gananoque Division of Ontario Steel Products Company, Limited is devoted entirely to the custom moulding and extruding of plastic products for the automotive, lighting, appliance, electrical and building industries.

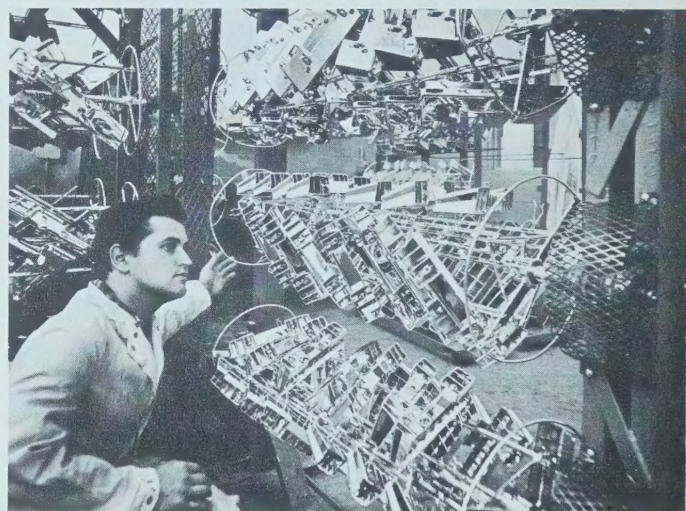
Products include automotive lenses, medallions, instrument clusters, arm rests and other automobile parts, as well as parts for telephone, refrigerators, radio and television cabinets, decorative mouldings and nameplates.

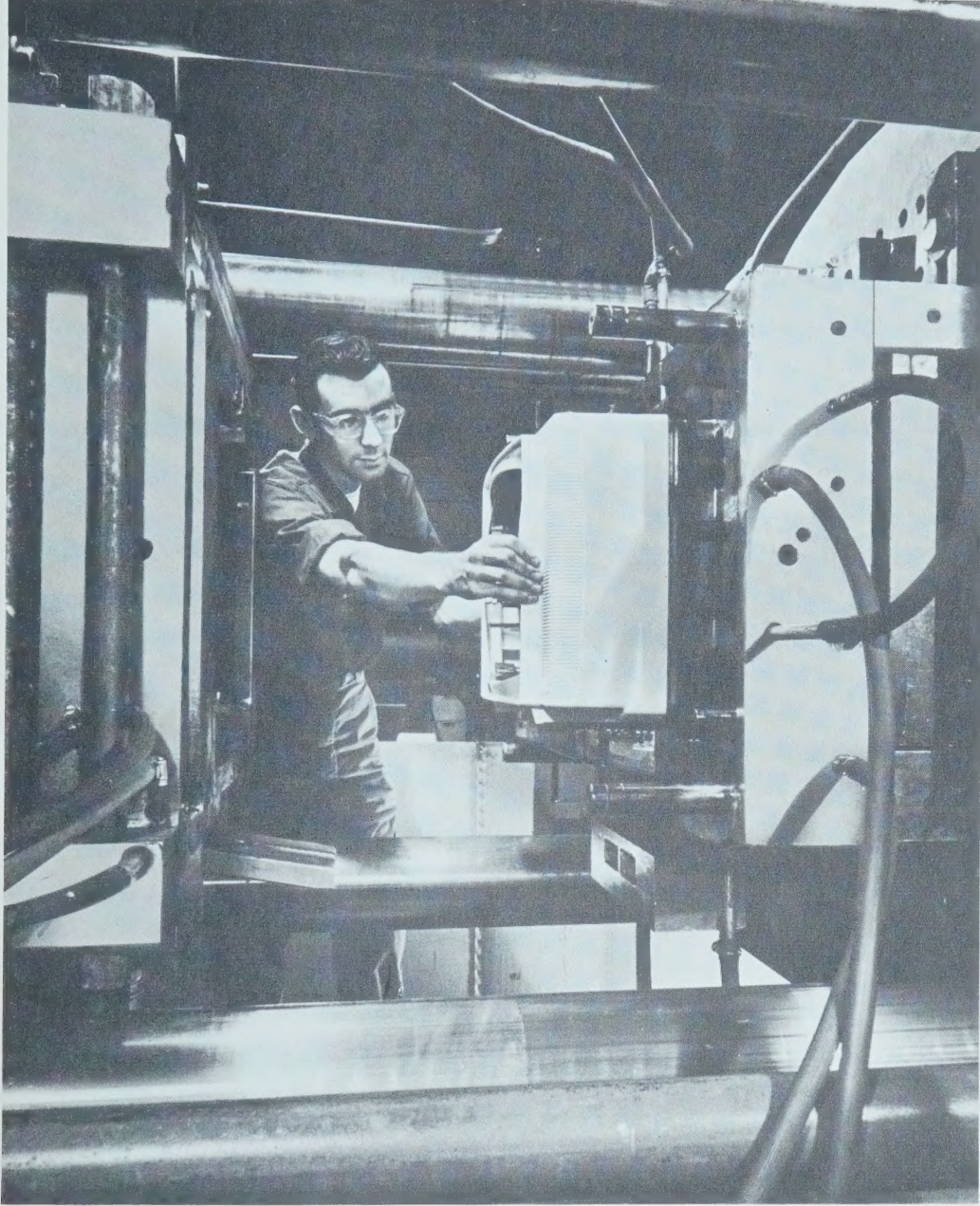


above: 1200 ton screw injection moulding machine.

right centre: Protective lacquer being applied to plastic parts and uniformly dried on a flow-coating unit.

right: Hot stamp equipment applying numerals on clock faces.

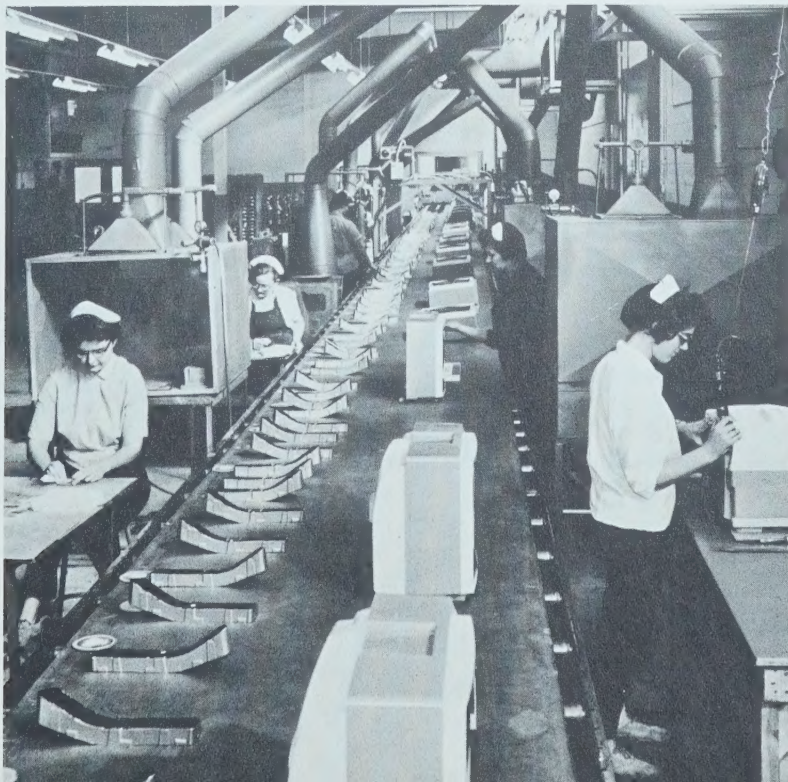




left: A television cabinet front is removed from 850 ton, 100 oz. screw injection moulding machine.

below: Close quality control ensures dimensional stability in even the smallest plastic part.

below, left: Conveyor carries products through painting, hot stamping, silk screening, checking and assembly operations in a pressurized dust free plant.



CONSOLIDATED BALANCE SHEET as at

(with comparative amounts at December 31, 1964)

ONTARIO
STEEL PRODUCTS
COMPANY, LIMITED
(Incorporated
under the
Laws of Canada)

ASSETS

CURRENT ASSETS

	1965	1964
Cash.....	\$ 52,441	\$ 471,412
Accounts receivable, less provision for doubtful accounts.....	6,056,410	4,836,557
Inventories—valued at the lower of cost or market.....	7,561,827	6,486,023
Prepaid expenses.....	262,332	150,058
TOTAL CURRENT ASSETS.....	13,933,010	11,944,050

APPROVED ON BEHALF OF THE BOARD:

O. D. COWAN }
BRIAN HEWARD } Directors.

PROPERTY, PLANT AND EQUIPMENT

Land, buildings and machinery—at cost.....	14,709,534	12,790,103
Accumulated depreciation.....	7,477,128	6,666,649
	<u>7,232,406</u>	<u>6,123,454</u>
	<u>\$21,165,416</u>	<u>\$18,067,504</u>

December 31, 1965

LIABILITIES

CURRENT LIABILITIES	1965	1964
Accounts payable and accrued liabilities.....	\$ 3,723,304	\$ 3,885,149
Taxes on income.....	1,124,954	1,086,784
Dividends payable—		
Preferred.....	6,305	6,305
Common.....	360,720	360,720
TOTAL CURRENT LIABILITIES.....	5,215,283	5,338,958
 BANK LOANS DUE MARCH 1, 1967.....	 2,500,000	 —
ADVANCE FROM ASSOCIATE COMPANY.....	1,916,191	2,947,812
DEFERRED INCOME TAXES.....	1,160,769	854,898
	10,792,243	9,141,668
 SHAREHOLDERS' EQUITY		
Capital Stock—		
Authorized—		
3,603 7% cumulative preferred shares of the par value of		
\$100.00 each		
1,433,820 common shares without nominal or par value		
Issued and fully paid—		
3,603 preferred shares.....	360,300	360,300
801,600 common shares.....	1,363,110	1,363,110
	1,723,410	1,723,410
Retained earnings.....	8,649,763	7,202,426
	10,373,173	8,925,836
 Commitment—pension plans unfunded past service		
costs approximate.....	\$ 1,086,000	
	\$21,165,416	\$18,067,504

ONTARIO
STEELE INDUSTRIES
COMPANY, LIMITED
(Incorporated
under the
Laws of Canada)

SUMMARY OF CONSOLIDATED EARNINGS

for the year ended December 31, 1965

ONTARIO
STEEL PRODUCTS
COMPANY, LIMITED
(Incorporated
under the
Laws of Canada)

	1965	1964
EARNINGS FROM OPERATIONS.....	\$ 4,801,635	\$ 3,327,669
INCOME FROM INVESTMENTS.....	(503)	20,046
	4,801,132	3,347,715
PROVISION FOR TAXES ON INCOME.....	2,486,894	1,717,809
EARNINGS FOR THE YEAR.....	<u>\$ 2,314,238</u>	<u>\$ 1,629,906</u>
The following items have been charged before determining the earnings from operations:		
Depreciation.....	\$ 840,748	\$ 743,236
Executive remuneration.....	160,188	148,529
Directors' fees.....	6,084	5,942
Legal fees.....	7,657	7,950
Interest on debentures.....	—	20,949
Loan interest.....	136,063	33,264

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the year ended December 31, 1965

	1965	1964
OPENING BALANCE—January 1.....	\$ 7,202,426	\$ 6,514,734
Earnings for the year.....	2,314,238	1,629,906
	<u>9,516,664</u>	<u>8,144,640</u>
Dividends—		
Preferred—\$7.00 per share.....	25,221	25,221
Common—\$1.05 per share.....	841,680	841,680
	<u>866,901</u>	<u>866,901</u>
	8,649,763	7,277,739
Amortization of the excess cost of shares over net assets of wholly owned subsidiary.....	<u>—</u>	<u>75,313</u>
CLOSING BALANCE—December 31.....	<u>\$ 8,649,763</u>	<u>\$ 7,202,426</u>

ONTARIO
STEEL PRODUCTS
COMPANY, LIMITED
(Incorporated
under the
Laws of Canada)

AUDITORS' REPORT to the Shareholders

We have examined the consolidated financial statement of Ontario Steel Products Company, Limited and its subsidiaries for the year ended December 31, 1965. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet presents fairly the consolidated financial position of Ontario Steel Products Company, Limited and its subsidiaries at December 31, 1965, and the accompanying summary of consolidated earnings and consolidated statement of retained earnings present fairly the information set forth therein relating to the consolidated operations of the company and its subsidiaries for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST
Chartered Accountants

January 7th, 1966.

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

for the year ended December 31, 1965

ONTARIO
STEEL PRODUCTS
COMPANY, LIMITED
(Incorporated
under the
Laws of Canada)

SOURCE OF FUNDS

Funds derived from operations—		
Earnings for the year.....	\$ 2,314,238	
Non-cash items included in earnings—		
Depreciation less profit from sale of fixed assets.....	839,367	\$ 3,153,605
Proceeds from sale of fixed assets.....		25,536
Increase in deferred income taxes.....		305,871
Bank loans.....		2,500,000
		<u>5,985,012</u>

USE OF FUNDS

Dividends.....	\$ 866,901	
Purchase of fixed assets.....	1,973,855	
Reduction in advance from associate company.....	1,031,621	3,872,377
		<u>INCREASE IN WORKING CAPITAL.....</u>
		<u>\$ 2,112,635</u>

	1965	1964	INCREASE (DECREASE)
CURRENT ASSETS.....	\$13,933,010	\$11,944,050	\$ 1,988,960
CURRENT LIABILITIES.....	5,215,283	5,338,958	(123,675)
WORKING CAPITAL.....	<u>\$ 8,717,727</u>	<u>\$ 6,605,092</u>	<u>\$ 2,112,635</u>



FOR CANADIAN INDUSTRY

AUTOMOTIVE PRODUCTS

Chassis Springs—both flat and coil—for automobiles, trucks, buses and snowmobiles

Torsion Bars and Struts

Bumpers and Bumper Guards

Bumper Arms and Hangers

Stampings

Plastic Lenses, Medallions, Knobs, Arm Rests, Ornaments and other miscellaneous parts

CONSUMER MARKET PRODUCTS

METALS

Large and small, shallow and deep-drawn stampings of steel, aluminum or brass

PLASTICS

Injection moulded plastics of a wide variety, including parts for telephones, refrigerators, radios, etc.

Extruded plastics, water stops, and custom sections as required

Double-shot moulding and triple-shot moulding

Vacuum metallizing for decorative and functional parts

RAILROAD AND INDUSTRIAL PRODUCTS

Coil Springs

Elliptical and Flat Springs

Rail Anchors

